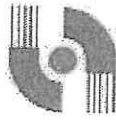


MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

--	--	--	--	--	--	--	--	--	--

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BAC3664 – ACCOUNTING THEORY
(All sections / Groups)

28TH FEBRUARY 2017
9.00 a.m – 12.00 p.m

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 4 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

- a)
- i. Explain why accounting standard is considered as a product of political process.
(5 marks)
 - ii. Users and capital market need financial information for decision making. Briefly explain the essential characteristics that they concern from the financial information?
(5 marks)
- b) "The approach moves from the general (basic propositions or premise) to the specific to derive logical conclusion".
- Refer to the statement above, what does the approach refer to and explain the steps to construct the theory for the stated approach. Support your explanation with **THREE (3)** premises and a conclusion for the stated approach.
(10 marks)
- c) According to MASB Framework for the Preparation and Presentation of Financial Statements, the public is known as the users. How does the financial statement assist the public?
(5 marks)

(Total: 25 marks)

QUESTION 2

- a) Elaborate the due process of issuing the MASB standard.
(7 marks)
- b) "Market failures" occur when the price mechanism that regulates supply and demand breaks down, forcing government to take action. Explain **FOUR (4)** factors that lead to market failure.
(8 marks)
- c) Under positive accounting theory, explain any **TWO (2)** hypotheses relating to management accounting choice and support your answers with example.
(10 marks)

(Total: 25 marks)

Continued...

QUESTION 3

- a) Describe **FIVE (5)** factors that could affect the association between corporate profits announcement and share prices.
(10 marks)
- b) Elaborate **FIVE (5)** sources of measurement error in accounting and reporting economic transactions.
(9 marks)
- c) Explain **THREE (3)** approaches recommended by accounting standard setters in order to enhance reliability and relevancy of fair value measurement.
(6 marks)

(Total: 25 Mark)

QUESTION 4

Reporting for a better future
by Errol Oh

14 December 2016

Bursa's new rules on sustainability disclosures are a step in the right direction back in November 2010, Bursa Malaysia published "Powering Business Sustainability – Guide for Director".

The exchange said the 70-page document was to "assist directors in understanding the value of good sustainability practices and making this a priority issue in the boardroom agenda". Chances are, not many directors have actually read the guide. Let's just say for most people, it's terribly unnatural to insert sustainability into discussions about quarterly earnings, share prices, profit margins and cash flow projections.

But that may have to change soon. On Monday, the stock exchange issued a consultation paper asking the public to give feedback on several proposed measures meant to enhance sustainability practices and disclosures. These include a new reporting framework for sustainability, which involves changes to the listing requirements and the introduction of the Sustainability Reporting Guide.

"Both are aimed at enhancing sustainability practices and moving the focus from reporting on corporate social responsibility (CSR) activities to sustainability, i.e. how listed issuers manage material economic, environmental and social risks and opportunities," says Bursa Malaysia. The consultation ends on Aug 24. If the proposal is implemented as planned, the most immediately visible change is that instead of having disclosures on CSR activities,

Continued...

the listed companies' annual reports will incorporate Sustainability Statements, which is, narrative statements of the companies' management of material economic, environmental and social risks and opportunities.

In December 2006, the exchange was the first in Asia to require listed companies to make annual report disclosures of their CSR activities or practices. If a listed company has no such thing to talk about, it has to say so in the annual report too. Typically, a listed company's idea of CSR is philanthropy or community initiatives. But these days, the focus on CSR alone is deemed narrow. Bursa Malaysia says many leading global companies have moved beyond CSR because it was perceived as emphasizing the social aspects of the business and had limited impact on value creation.

"Investors have begun to recognize that social and environmental conditions in society can have a direct impact on the business operations of a corporation and its long-term viability. Many of them also realize that non-financial risks can, if not managed properly, become financial risks," adds the exchange. "In fact, more investors are now incorporating environmental, social and governance considerations into their investment strategies and decision-making."

"Stakeholders are increasingly interested in understanding the approach and performance of corporations in managing the economic, environmental and social risks and opportunities of their businesses. A similar trend in investments is also emerging in the local Malaysian context. Accordingly, there is also greater expectation on corporations to communicate to stakeholders on how they respond to sustainability matters affecting them."

This is the basic rationale for the proposals laid out in the consultation paper.

The exchange believes that proposals will build awareness on sustainability and improve the quality of sustainability-related practices and reporting; help listed issuers to meet the sustainability expectations of stakeholders; attract funds with sustainability focus into the Malaysian capital market; and facilitate more listed issuers to qualify for FTSE4Good Bursa Malaysia Index and other international sustainability indices. The consultation paper gives an interesting account of how Bursa Malaysia has developed its requirements for what goes into a Sustainability Statement. This is not a case of a regulator crafting new rules in isolation. The proposals are the result of benchmarking studies and engagement with various stakeholders, who had some say in how the Sustainability Statements will look like. The Sustainability Reporting Guide is another key component of the package of proposals. It will be the reference book on deciding the information that should go into the Sustainability Statements. In addition, it details the business case for embedding sustainability in an organization and provides guidance on how this can be done. Bursa Malaysia says it will also offer other guidance and training to listed issuers to assist them in improving sustainability performance and reporting. A toolkit to augment the Sustainability Reporting Guide will be available online later.

Continued...

It's inevitable that there will be concerns that compliance with these new requirements will be costly and inconvenient. Many people are likely to cast doubts on the timing and value of such changes.

But are there sound arguments against sustainable business practices? Isn't a listed company here for the long term, and shouldn't it be open about how it deals with economic, environmental and social risks and opportunities? And really, is there a better time than now to do good things?

Source: <http://www.thestar.com.my/business/business-news/2015/08/01/reporting-for-a-better-future/> [Accessed on 14 December 2016]

Required:

- a) Explain the concept of sustainability reporting.
(5 marks)
- b) Discuss the reasons that lead to the development of sustainability reporting
(10 marks)
- c) Elaborate the advantages and disadvantages of sustainability reporting to companies.
(10 marks)

(Total: 25 marks)

End of pages